



Issue Brief: Land 2.0

Strategic Directions for the Land Sector at MCC

This Issue Brief outlines the mandate and strategic direction for the land portion of MCC's Land and Agricultural Economy (LAE) Practice. The LAE Practice has implemented and learned from more than 15 years of land-related investing at MCC, lessons and trends in the sector more broadly, and the evolution of MCC's overall approach to designing compact and threshold programs.¹ As the landscape for investing in the sector has changed, MCC faces new challenges and opportunities.

Two factors motivated this refreshed, 2.0 vision. First, it became increasingly evident that land issues affect MCC's work well beyond stand-alone land sector projects and activities. As MCC's overall approach to compact development has evolved and deepened to include the constraints analysis and the root cause analysis, awareness has expanded of the pervasive role of land and land markets in an economy, and of the role that land can play in underpinning constraints to growth and core problems in a variety of sectors. Over time, the MCC land practice also became increasingly involved in collaborating with, advising, or problem-solving with teams and colleagues on land-related issues key to compact development or implementation, even on compacts without a land constraint, project, or activity. Finally, it became increasingly clear that projects in other sectors had benefit streams that drew from land-related market changes. All these factors drove a need to more comprehensively frame the role of land and land expertise in MCC's work.

Second, operational learning from the development and implementation of MCC's land project portfolio revealed the value of MCC's model to use substantial grant funds as a tool to generate lasting change. There was emerging consensus within the LAE practice that consistent achievement of MCC's investment criteria and best positioning distinct projects for success could be further reinforced by a reimagined set of principles that lie at the core of the 2.0 vision. The principles are not new to MCC's land work or the sector but serve as a roadmap for MCC's land experts and country counterparts to support the design of land investments that can effectively contribute to deep and lasting change.

This Issue Brief will:

- Provide a foundation for **formal and informal dialogue with country partners** during compact or

threshold program development, to aid understanding of the parameters for MCC investment decision-making and due diligence related to land;

- Contribute to **consistency of practice** on land themes within MCC;
- Support **consistent communication** on the role of land in MCC programs and the work and current directions of the land practice group; and
- Create a **platform for further innovation** and greater impact in MCC's future land work.

Part I – Land Practice at MCC

Why does land matter to an economy?

Land and land markets play a central role in an economy. They are material to household wealth and incomes; to productivity of firms engaged in manufacturing, agriculture, or services; and as costs to both suppliers and consumers of essential public and private goods like transportation, water, energy, and housing.

The ability of individuals, households, and firms to benefit from productivity and cost efficiency depends on how well their own and others' land rights and access are secured and protected, how easy it is to access or transfer rights for their own benefit through sales or rental, and how well broader land use regulations promote higher and better land uses. Household and firm behavior are also driven by perceptions of tenure security, which operate on a continuum; depending on the context, systems and legal instruments other than full private land titles can be sufficient for land users to feel secure.

Individual, firm-level, and public land uses are also part of larger land markets, and these markets become distorted when they are not effectively regulated by governments through policies, laws, regulations, and institutions. These distortions yield extra costs, inefficiencies, and inequities appearing in a variety of other sectors—including agriculture, transport, water, and power—that can negatively impact growth, worsen poverty, and aggravate social exclusion.

Finally, the natural transition to modern market economies is ongoing in many MCC partner countries. This poses challenges to land uses secured by traditional, undocumented rights, and can create pressures related to land supply and scarcity. With statutory systems usually not fully functional and traditional systems no longer functioning as before, existing and new land users become exposed to the risk of conflict, which yields insecurity and can dampen productivity and investment incentives. Climate changes also contribute to land pressures, which similarly can escalate conflict. Fostering secure and well-protected rights to land also strengthens our U.S. national security by reducing national and regional political instability and refugee flows.

When does MCC address land?

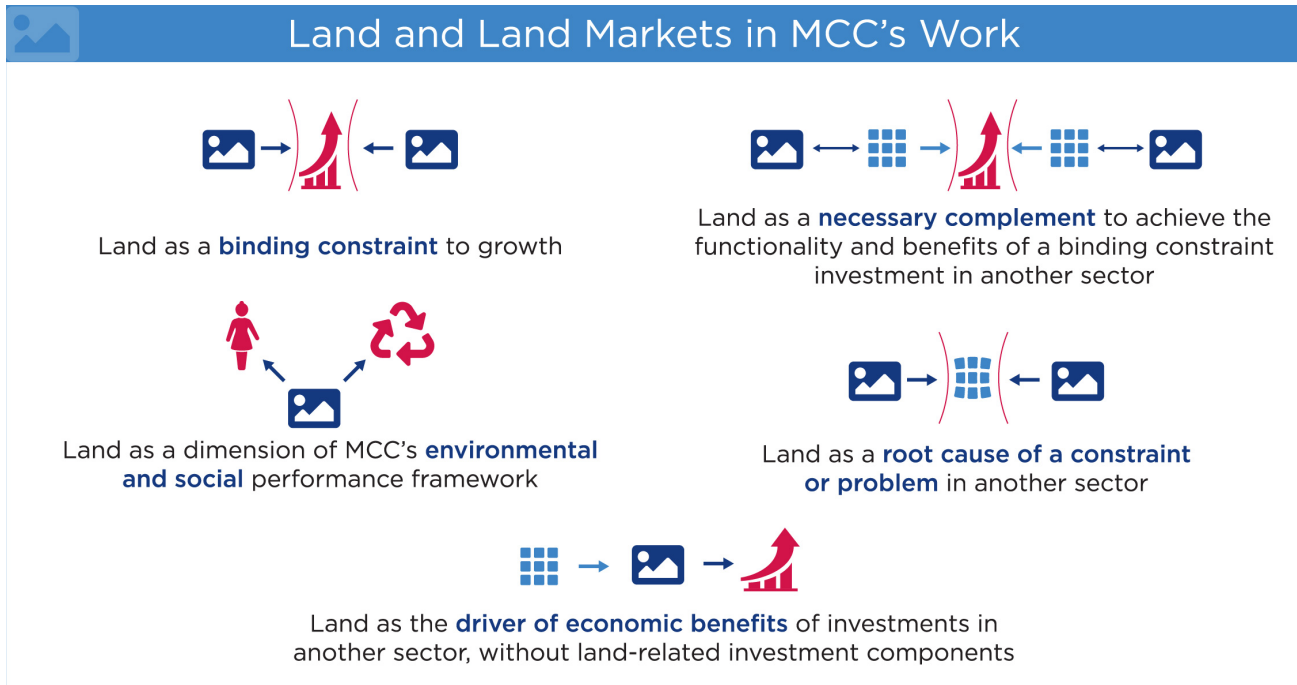
Today, MCC's investment model addresses land in multiple ways: land's influence is extensive, land is critical for accrual of a variety of economic benefits, and a range of land market and land governance

distortions and dysfunctions often exist in low and lower middle-income countries, impacting a variety of MCC sectors.

MCC will continue to address land via specifically designed compact or threshold land and property rights projects. However, while MCC's land practice historically centered its work on stand-alone land projects and activities within compacts and threshold programs, the growing awareness and understanding of the pervasive role of land and land markets in an economy calls for a broadened land practice mandate. As a part of this, MCC's land practice will intensify analytical engagement and collaboration with other parts of the agency related to problem and root cause analysis, due diligence, project development, and benefits modeling in other sectors where land and land market-related challenges could influence the achievement of full benefits and sustainability of compact investments.²

As a part of its broadened vision, the land team defines success as contributing to MCC's overall mission to reduce poverty through economic growth, either through specific land investments or by boosting the effectiveness and impact of other investments through better understanding of land-related dimensions and drivers during the analytic and investment design stages. Although MCC's land practice focuses on identifying the land issues that can affect the design and implementation of MCC projects, this should not be understood as a motivation to necessarily include a land investment in a compact. Understanding the land dimensions key to identifying or solving non-land constraints or problems need not increase eventual project or compact complexity. It will be the responsibility of MCC's land practice to highlight and bear in mind the tradeoffs among overall project implementability and complexity, effective investment response to problems identified, and sustainability of benefits.

This engagement ensures that MCC as an agency benefits broadly from the land practice's knowledge, know-how, and access to external learning and trends. It also ensures that MCC's land practice learns continuously from the land and land market-related issues embedded in the agency's wider portfolio and investment cycle. This keeps the practice well-positioned to serve MCC's future needs.



Land and land markets typically appear in MCC's work in the following ways:

- A. **Land as a Binding Constraint:** In these cases, land is identified by the growth diagnostic as a binding constraint to growth or as a core dimension of a binding constraint, such as weak investment climate or poor policy planning. When a partner country proposes to address the land constraint, this typically leads to a stand-alone land project.³ In these cases, the land practice plays the lead role in identifying problems and root causes and leading the design of projects and activities targeting the land-related constraints. Examples include all MCC stand-alone land projects,⁴ as well as contexts where land was identified as part of a binding constraint and analyzed by the land practice, but ultimately not pursued for program development. Land project development leadership includes coordination and collaboration with leads responsible for environmental and social performance, gender and social inclusion, private sector, economic analysis, and monitoring and evaluation.
- B. **Land as a Necessary Complement to Achieve the Functionality and Benefits of a Binding Constraint Investment in Another Sector:** In these cases, problems related to land access would limit effective implementation and impact in another sector if not addressed. The primary example is the water dimension of agricultural productivity constraints, where transparent, participatory, and fair land allocation is necessary to achieving the full value of MCC-funded irrigation schemes. Under such projects, land allocation criteria and formulas play a critical role in determining who benefits and by how much they benefit. Current or past examples include irrigation projects in Niger, Senegal I, and Burkina Faso I.
- C. **Land as a Dimension of MCC's Environmental and Social Performance Framework:** MCC's adherence to the International Finance Corporation Performance Standards means that land—particularly land acquisition and resettlement—can play a decisive role in the sound implementation of projects in other sectors. MCC's Environmental and Social Performance (ESP) Practice takes the lead in all matters related to the Performance Standards, with the Gender and Social Inclusion team also working closely with ESP to ensure that women are not worse off due to land acquisition and resettlement. However, the expertise, analytical approaches, and standards

specific to the land sector often overlap and align with the work of MCC's ESP practice.

Coordination and collaborative work take place at MCC in both formal and more informal ways, depending on the issue, problem to solve, and complexity of the country's legal and institutional context. Examples of significant land and ESP engagement or advisory support include on irrigation in Niger, Senegal I, and Burkina Faso I, and on legal and procedural dimensions of site acquisition for school construction in Cote d'Ivoire.

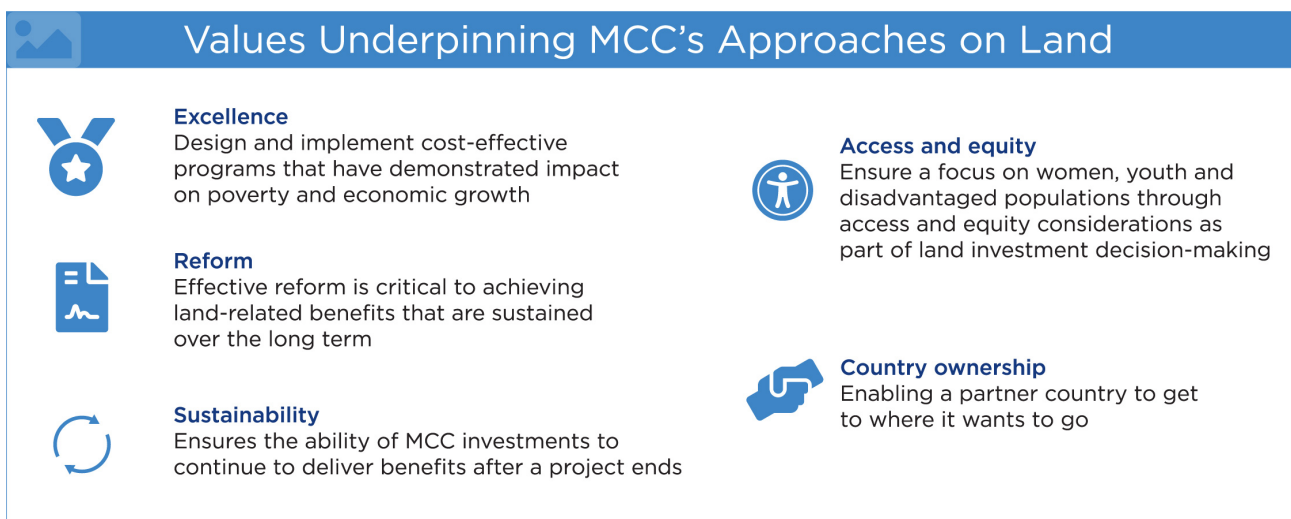
- D. Land as a Root Cause of a Constraint or Problem in Another Sector:** Land and land market dysfunctions and inefficiencies can contribute to or aggravate constraints and problems in other sectors such as transport, water, or power, and influence performance of industrial and logistics sectors. This typically appears in urban, peri-urban, and urbanizing contexts. Although in the past MCC has not systematically focused on the land market and land management causes of problems in other sectors, these dimensions are often precursors to constraints and problems in other sectors. Analysis of land and land market drivers (including but not limited to failures related to urban planning, regulation, enforcement, and property rights) enables understanding of potential land dimensions of problems and the reach and limits of solutions under consideration. Analysis of these issues do not necessarily require eventual investing in land-related compact components. While land-related root causes have not systematically been documented in MCC's urban infrastructure root cause analyses in the past, they likely play a role in numerous compact investments, particularly in urban environments. Land-related drivers of utility financial health were identified in relation to the Mongolia II Compact's water project. In some countries, recognized property rights have been identified as a condition to receiving utility services.
- E. Land as the Driver of Economic Benefits of Investments in Another Sector, Without Land-Related Investment Components:** Sometimes quantification of benefits to investments in other sectors hinges on changes in land market activity—particularly increases in land sales, leasing values, or leasing incidence that unlock value in land. The land practice adds value by supporting the accuracy of the assumptions behind benefit projections, based on the practice's knowledge of land and land market dynamics, and particularly of the dysfunctions and inefficiencies that may limit the effects sought. For example, benefits in the Tanzania Compact's power project related to land value increases, which were in turn used as the basis for calculating the benefits of a rural power access investment in the later Senegal II Compact.

Part II – A 2.0 Approach to Land Investing

Values underpinning MCC's approaches to land

Several values underpin MCC's approach to addressing root causes to land and land market problems. These values will drive engagement of the MCC land practice internally within MCC and externally with partners and stakeholders. These values reinforce each other, and in no way replace or supersede core MCC investment criteria and other requirements.

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- A. **Excellence:** Practicing excellence is one of MCC's corporate values, which means designing and implementing cost-effective programs that have demonstrated impact on poverty and economic growth. To that end, MCC will continue to follow and apply lessons, trends, and the latest thinking on issues in the land sector, to ensure that MCC-funded land investments represent excellence in the field.
- B. **Reform:** Given the fundamental role of governments in managing and regulating land and land markets, effective reform is critical to achieving land-related benefits that are sustained over the long term. Reform does, however, have costs and requires risk-taking by MCC's country partners.
- C. **Sustainability:** Sustainability ensures the ability of MCC investments to continue to deliver benefits after a project ends. The land practice will make investments with strong sustainability prospects, while also encouraging the strategic risk taking that is often critical to reform and real change.
- D. **Access and Equity:** Access to land, access to land-related services, and access to information for all segments of the population and businesses can be fundamental to unlocking more productive uses of land for incomes and growth. Attention to equity also obligates us to understand enough to anticipate and act to avoid unintended consequences, such as the risk that women could end up in a worse position because of an MCC investment, or the risk of broader dispossession effects. The land practice will ensure a focus on women, youth, and disadvantaged populations as it considers the various roles that access and equity play in analyses and decision-making related to MCC land investing.
- E. **Country Ownership:** The land practice defines country ownership as enabling a partner country to get to where it wants to go. This includes identifying shared goals that are an improvement on a country's status quo. The land practice expects reform and risk-taking to achieve shared goals.

Land 2.0: Land practice key principles

MCC views land as a vital foundation for investment and economic growth and, as such, supports interventions that help secure and protect rights to land, mobilize effective use of land, transfer land to optimal uses and users, and maximize investment impacts on the economy.

These objectives are not new. MCC's first 15 years yielded over \$500 million in land investments toward these goals, yielding for many partner countries their largest donor-funded land projects to date. A core

operational lesson from the development and implementation of MCC's past projects was the value of the MCC model, which combines MCC's substantial grant funds with country ownership to serve as a powerful tool for change.

In addition to operational lessons, MCC's independent evaluation approach also provides other learning and lessons.⁵ Reform impact, technology sustainability, effects for women, and transaction demand, among other topics key to a project's theory of change, are also the types of issues examined in MCC's third-party evaluations.

As a result of this learning, re-doubling emphasis and insistence on a targeted set of principles going forward can optimally position MCC's land investments for impact. While MCC's land-related projects vary in response to distinct contexts, challenges, and opportunities, the following principles will orient MCC's land work:



A. Insist on Policy and Institutional Reform: Resolution of most land-related problems meriting investment needs meaningful reform of some type. Most frequently this focuses on improving land laws, regulations, and procedures; reorienting land institutions to better serve public needs; achieving balance between land governance policies and the capacity to apply them; supporting a stable investment climate; and ensuring efficient land market functioning. MCC will require or incentivize change as part of its programming to ensure impact, sustainability, and real transformation, including through conditions precedent or other tools. Land programs will avoid relying on status quo implementation of existing legislation, institutional approaches, or procedures. The land practice group will support partner countries to achieve reform that might not be possible without donor resources. It will investigate the political economy of reform, to understand the tools required for true behavior change, particularly in the public sector, and to understand the prospects of and paths to successful and sustainable reform, even where this requires second best strategies that may be more viable. This principle acknowledges that human resource training and capacity building alone are insufficient to sustain reform.

B. Target Strong Legal Rights and Access to Land for Women: Strong, effective legal rights and access to administrative processes and procedures are a foundation for women's economic empowerment. MCC will understand, together with country partners, the implications of current

statutory and customary regimes for women's equal access to land and land rights, along with sociocultural complexities. This also necessitates understanding the implications for the strengthening or weakening of those rights because of potential MCC investments, and the risks of unintended consequences as a result of the often-complex details of program implementation. MCC will examine equal and effective access across the range of ways women obtain rights to land, independently as well as through inheritance and formal and informal marriage. MCC funding will be a lever to maximize women's equal access to land and land rights, both as part of an MCC investment and to achieve durable legal, institutional, regulatory, procedural reform. Community engagement and dialogue, legal literacy for men and women, involvement of community leaders, and behavior change are key dimensions of MCC analytical and program approaches.

- C. **Apply Appropriate Technology:** MCC's land practice will ensure use of the most appropriate technology solution for the problems a land-related investment is intended to solve; this will address tools for systematic information gathering, tools for identifying and geo-referencing parcel boundaries, tools for property valuation, and systems for administering land registry and cadastre information and transactions. This will ensure MCC's investments put countries on the path to valuing new technology more broadly and to building commitment and capacity to sustain these investments; technology will continue to change rapidly, and even MCC-funded tools will have a short and defined lifetime. MCC will avoid investing in things that have a low probability of future maintenance. The agency will pay close attention to the alignment of partner country legal and procedural standards for technology tools with current market standards and cost-efficiency, and encourage or require reform where needed. Key areas of technology-related attention presently includes digital documents and signatures; use of drones for imagery acquisition; survey accuracy requirements and associated equipment and procedures; streamlining of land rights formalization procedures; IT tools and systems that facilitate documentation of women's rights-associated information; relaxing requirements regarding who is authorized to prepare and submit parcel rights documents for registration; and methods for identifying parcel attributes for mass valuation.
- D. **Support Flexible, Citizen-Oriented Tenure Options:** MCC will work to secure partner country commitment to flexibility in approaches to land tenure security. This includes development of uncomplicated and low-cost titling instruments; use of easy, low-cost mapping tools so that legitimate rights can be effectively identified and monitored by those who know best what those rights are; and support for opportunities to broaden the types of people and organizations that meet partner government standards for information gathering and management.
- E. **Ensure Demand by Engaging the Private Sector:** MCC will support government interventions that respond to and stimulate existing demand of citizens or the private sector for land or will reasonably generate demand by citizens and the private sector for land-related services, delivered at appropriate levels of cost and complexity. The land practice will identify and advocate for delivery of land-related services by private sector players, including by local or international service providers and technology companies; this brings know-how, efficiencies, and citizen orientation to service based on market opportunity rather than donor resources. MCC will acknowledge and promote the role of the market as a force for technology change when needed to reduce cost and complexity in a country's land sector.
- F. **Educate on Planning and Land Markets, Both Urban and Rural:** MCC will examine land use planning and urban planning with care. It will build understanding among country partners of the limits to effective land use planning and urban planning investments alone in the absence of appropriate regulations, effective enforcement, functioning property rights systems, and functional frameworks for high-level inter-institutional decision-making within governments on public goods investment, such as infrastructure. The land practice will ensure understanding of the role of land markets in enabling opportunity and, where they are dysfunctional, in underpinning exclusion.

- G. Maintain Attention to Detail Throughout the Project Lifecycle:** MCC's implementation model enables completion of complex projects during a limited five-year timeframe, requiring often unprecedented levels of country ownership and engagement of critical institutions and stakeholders. MCC remains committed to working with our country partners throughout a land project lifetime to ensure key risks and opportunities are acted on, and to monitor and attend to both anticipated and unanticipated complexities and challenges.
- H. Mobilize MCC Funds Smartly:** The land practice will ensure compact and threshold resources are deployed as strategically as possible. This requires ensuring that partner country implementers use innovative approaches to procuring contractors, and identifying and pursuing opportunities to be more strategic about procurement strategy and payment strategy. The land practice will consider mobilizing MCC funding via results-based financing approaches and public-private partnerships, support assessment of their viability, and support partner country implementers to effectively apply such strategies where appropriate.

Emerging issues and trends to watch

The land practice will pay close attention to several emerging issues and trends which may have relevance for future MCC investments. This list is not intended to capture every key issue in the sector; it focuses on sector themes that have emerged for MCC as newly important. This list will be reviewed periodically. MCC's model focuses on core problems and viable solutions, and these vary substantially from country to country. As such, not every item on this list will be a priority or an opportunity in every country.

- A. Artificial Intelligence and Machine Learning:** Technologies to massify approaches for information gathering and attribute definition are becoming more and more refined and increasingly viable in MCC's partner countries. The potential cost savings to governments and donors is significant. Examples include use of drones and street level cameras to gather property attribute information, as part of computer assisted mass appraisal for property valuation purposes (CAMA systems).
- B. Property Tax and Other Land-Based Revenues:** The land practice will continue to participate in a dialogue on the role of property tax, other land-based revenues, and land sector public financial management improvements in achieving other economic benefits. As five years is often insufficient to achieve meaningful change in property tax or other land-based revenue collection in addition to other program goals, this topic has not been a priority in past MCC programs. Nonetheless, it merits engagement, as adequate revenues from a variety of sources are increasingly understood to be fundamental to sustaining the ability of land administration institutions to protect property rights, and valuation and taxation are key tools to encourage productive land use. In addition to incomplete rolls, outdated valuation and low collection for property tax, weak revenue performance from leasing out of state land constitutes a missed resource opportunity for governments and also contributes to land market distortion. As technologies for mass appraisal and other revenue management dimensions become further developed and even more widely used, increased opportunities to address revenue issues over the five-year life of a compact may emerge. Newer MCC land projects are already tackling the revenue issue.
- C. Community Land, Forest Tenure, Pasture, and Landscape Management:** These are topics that may not merit targeted engagement or tasking until they emerge as an issue or an area of priority in an MCC partner country during preliminary analysis or project development, but they are themes that other funding organizations and institutions are looking at and investing in, and merit

watching. Examples include delimitation of community forest lands and support in negotiating commercial access to these lands to increase income to the community from use of natural resources.

- D. **Evolution in Systematic Rights Formalization Trends:** While systematic rights formalization is a traditional core of many land programs, the land practice will monitor trends related to the benefits, appropriateness, and long-term impact of such operations—particularly given the challenges of sustaining institutional capacity building. The land practice will promote change to permit legal instruments of varying strengths and promote alternate options for information gathering. Examples include application of crowd-sourced mapping and rights formalization solutions.
- E. **Fragmentation and Generational Land Challenges:** Fragmentation and scarcity, where parcels become smaller as they are allocated through inheritance to each successive generation—in parallel with pressures on traditional land management systems—have increasingly appeared as a central problem in some rural environments. Where relevant, the land practice will examine fragmentation, its impacts on livelihoods, existing government policies and programs to address it, and market opportunities to address it. This will require noting the reality that individual parcel-based rural production models eventually cease to be viable in some contexts, as economies undergo structural transformation and urbanization.
- F. **Information Access, Transparency, and Privacy:** Privacy and transparency are fundamental in the land sector, and they are often in tension. Both are increasingly understood as critical for functioning land markets, land administration systems, and secure tenure. The land practice will follow trends and address both topics as necessary in land-related investing. Examples include development of publicly accessible land rights information platforms to disclose information on land holders and facilitate land transactions. Such systems also require functional data access and manipulation protocols to ensure information integrity.
- G. **Climate, Conflict, And Security:** Changing climatic conditions contribute to scarcity and place pressure on traditional land management and dispute resolution systems, and this pressure is also not fully addressed by statutory governance systems given their limited reach in many places. While land-related conflict is not a new issue, the links to changing climates and their eventual potential national security implications have become more visible and may merit attention in certain contexts.
- H. **Social Media:** Social media is a reality and an opportunity that MCC's programs, accountable entities, and contractors should be encouraged to use more and more effectively. Social media plays a greater role in information transmission as more people are connected via rapid growth in smartphone penetration. Social media can act as a conduit for information sharing to build public awareness, trust, and transparency. It also has the potential to spread false information and trigger fraudulent activity. The land practice will monitor the potential to effectively reach project participants and beneficiaries regarding program operations, services, and other topics, as more citizens use social media platforms to disseminate vital information.
- I. **Engaging Youth:** The land practice will think about targeted ways to reach and involve youth in the context of MCC's programs as youth make up an important segment of the populations in MCC's partner countries. As an example, Africa has the youngest population in the world, where 60 percent of its population is under the age of 25. In a sector benefitting from and challenged by rapid technological change, young people are often the quickest to adopt new technology and can be a powerful conduit for institutional modernization and expanded use of widely available technology tools for land rights recognition.
- J. **Market Demand for Agricultural Products from Tenure-Secure Parcels:** As supply chain technology improves, including through use of blockchain and other tracking tools, the ability to

better link consumer demand for secure-tenure production is a trend to watch, particularly where MCC makes agricultural economy investments. Where relevant to a constraint being explored or addressed by MCC, the land practice will facilitate conceptual and programmatic linkage of investors in productive agricultural sectors with opportunities to ensure production under more secure tenure of individual producers, for example engaging food and beverage companies who have made corporate commitments to support land mapping and formalization of land rights as part of land access and increased productivity and incomes.

Endnotes

1. Compacts are MCC's large five-year investments. Threshold programs are smaller programs focused on key policy and institutional reforms. The MCC model dictates that both compacts and threshold programs are initially developed following a constraints to growth diagnostic, with investments focused on the most binding constraints to growth.
2. The economic benefits from many land-related investments are articulated by and align with MCC's Land Consistent Design Patterns for Cost-Benefit Analysis: <https://www.mcc.gov/resources/doc/land-sector-cost-benefit-guidance>. Benefits of land investing are also looked at in the context of MCC guidelines in development for CBA analysis of policy and institutional reform investments.
3. Depending on the constraint, problems, and root causes, land projects may include, but are not limited to, components addressing land administration, land access or allocation, land rights formalization, land tenure security, or land planning and management. MCC land investments target rural, urban, and industrial contexts.
4. <https://www.mcc.gov/sectors/sector/property-rights-and-land-policy>
5. A complete overview of MCC land project achievements in partner countries can be found at <https://www.mcc.gov/sectors/sector/property-rights-and-land-policy>. Information on the findings of MCC's independent evaluations of land projects and activities can be found at <https://data.mcc.gov/evaluations/index.php/catalog>.